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FM AMEMBASSY RANGOON  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 8179  
INFO RUCNASE/ASEAN MEMBER COLLECTIVE  
RUEHBY/AMEMBASSY CANBERRA 1526  
RUEHBJ/AMEMBASSY BEIJING 2041  
RUEHKA/AMEMBASSY DHAKA 4989  
RUEHNE/AMEMBASSY NEW DELHI 5013  
RUEHUL/AMEMBASSY SEOUL 8608  
RUEHKO/AMEMBASSY TOKYO 6177  
RUEHCN/AMCONSUL CHENGDU 1582  
RUEHCHI/AMCONSUL CHIANG MAI 1840  
RUEHCI/AMCONSUL KOLKATA 0433  
RUEAIIA/CIA WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEKJCS/DIA WASHDC  
RUEHGV/USMISSION GENEVA 4033  
RHEHNSC/NSC WASHDC  
RUEKJCS/SECDEF WASHDC  
RUEKJCS/JOINT STAFF WASHDC  
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C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 000742

SIPDIS

STATE FOR EAP/MLS, INR/EAP, EEB/TRA  
DEPT PASS TO USDA  
DEPT PASS TO USAID  
PACOM FOR FPA  
TREASURY FOR OASIA, OFAC

E.O. 12958: DECL: 09/19/2018

TAGS: [EAGR](#) [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [BM](#)

SUBJECT: BURMA: RICE EXPORTERS FEELING THE PINCH, FARMERS  
UNDER THE THUMB

REF: A. RANGOON 285  
[1](#)B. RANGOON 496  
[1](#)C. RANGOON 075

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4  
(b and d)

Summary

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[1](#)1. (C) Private Burmese rice exporters, most of whom are regime cronies, continue to pressure the Burmese Government to allow rice exports so they can unload their rice stocks and earn a profit. The regime continues to resist, concerned that rising local rice prices could spark anti-government demonstrations. The GOB is likely to allow private companies to resume rice exports in November, but as world rice prices fall, exporters are unlikely to earn substantial revenues. Agricultural experts warn that if world rice prices do not increase, the government may force Burmese farmers to sell rice at below production prices so Myanmar Economic Holdings and the crony companies can make a profit on exports. End Summary.

Controlling Rice Stocks

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[1](#)2. (C) During the first four months of 2008, Burma, through several well-connected private companies and the military-owned Myanmar Economic Holdings (MEC), exported approximately 350,000 metric tons of rice, up from 31,200 metric tons for the same period in 2007. Private companies had contracts to export an additional 300,000 metric tons of

rice between May-July 2008 (Ref A), and had already begun loading rice onto ships when Cyclone Nargis hit Burma. In the aftermath of the storm, the Burmese Government controlled rice prices by temporarily halting all exports of rice, as well as prohibiting exporters from selling rice on the local market or to WFP for its emergency program (Ref B). According to U Kyaw Tin, managing director of SGS Consultants, an international agricultural consulting company, rice exporters were left holding more than 300,000 metric tons of rice, which has a store of value of more than USD 15 million.

13. (C) Four months after Cyclone Nargis, private companies are facing financial difficulties because they are still unable to export or sell their rice, Anwar Hussain (protect), a well-connected businessman working in the agriculture sector, told us. Hussain reported that two rice exporters -- Aung Thet Mann, son of General Thura Shwe Mann and owner of Aye Yar Shwe Wa company, and Khin Myint, owner of Yetana Win 30 -- met with MEC Director and SPDC Secretary 1 Lt. General Thiha Thura Tin Aung Myint Oo in early September to try to persuade the regime to allow their companies to resume rice exports.

14. (C) According to Hussain (who is close to Aung Thet Mann), Secretary 1 is in favor of resuming exports, as MEC also has more than 50,000 metric tons of rice stockpiled for export, but the decision has to be made by more senior leaders. Top GOB officials remain concerned about rising local rice prices, up 30 percent since 2007, and believe that rice exports could act as a catalyst for anti-government demonstrations, Hussain added. Secretary 1 allegedly promised Aung Thet Mann and Khin Myint that the GOB will

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allow rice exports in November, after the harvest.

No Exports, No Profits  
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15. (C) Companies involved in exporting rice made up to USD 1 million by exporting only 20,000 metric tons of rice through mid-2008, U Kyaw Tin explained. Before May, demand for Burmese rice was high and exporters sold their rice for more than USD 700/metric ton, earning tens of millions in profits. Since Cyclone Nargis, market conditions have changed; demand for lower-quality Burmese rice has abated and world rice prices have dropped. Burmese rice exporters, seeing their profit margins disappear, want to export their remaining rice as soon as possible to recoup some costs. Currently, high quality rice on the world market sells for USD 400/metric ton; Burmese rice sells for only USD 300/metric ton or less, according to WFP officials.

16. (C) U Kyaw Tin reported that the regime remains committed to resuming rice exports in November. GOB officials predict rice yields will meet local needs and leave a surplus for export. FAO representatives told us that it is too early to know whether yields will be sufficient. U Kyaw Tin predicted that rice yields from the Delta will be well below last year's levels, but that there may be some surplus rice produced in Northern Burma. World rice prices will not factor into the government's decision; the GOB will insist Burmese companies export rice even if the price falls to USD 250/metric ton, according to Kyaw Tin. This will place financial pressure on the companies and MEC, which may in turn demand that farmers sell rice at below-production level prices, he explained. In general, farmers absorb the greatest loss from falling exports and prices, U Kyaw Tin noted. Unlike in other countries, farmers are unable to dictate price and are forced to sell to the authorities at regime-determined prices.

Comment  
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17. (C) The Burmese Government halted rice exports in May, not because it wanted to use surplus rice to feed Cyclone Nargis victims, but because it wanted to ensure that rice prices did not skyrocket and spark anti-government protests. We expect the regime will allow rice exports to resume in November because officials expect rice yields will more than meet local needs - though agricultural experts do not necessarily share the GOB's assessment. In all likelihood, Burma will meet overall rice production levels, with some States and Divisions having higher outputs than others. For example, shortages of rice are likely in Northern Rakhine State, Irrawaddy Division, and the Dry Zone in Central Burma, while Sagaing and Mandalay Divisions may see surpluses. Nevertheless, GOB regulations prohibit the movement of rice between States and Divisions while allowing companies to export surplus rice - forcing WFP and its partners to fill domestic shortfalls. By forcing MEC and private companies to export rice at a slim profit margin while at the same time prohibiting domestic redistribution of rice to more needy areas, the regime demonstrates that its priorities are filling its coffers, rather than feeding its people.

DINGER